



HIGHLAND PREP

April 16, 2021

CREDIT ENHANCEMENT PRESENTATION FOR:

HIGHLAND PREP

Surprise, Arizona





INTRODUCTION

DR. KERRY CLARK

Founder & Executive Director

SCOTT KIES

Board Member

THE SCHOOL



HIGHLAND PREP





HIGHLAND PREP: WHO ARE WE?

- Highland Prep (“HP”) opened for the 2017-18 school year as a sister school to Madison Highland Prep (“MHP”), a nationally ranked charter school located in Phoenix.
- Highland Prep and Madison Highland Prep are STEM college-preparatory charter high schools and share common governance, management, academic and program models.
- Highland Prep has grown from 81 students (2017-18) to its current enrollment of 428. Madison Highland Prep serves approximately 450 students.
- MHP will open another charter school to be known as “Highland Prep West” (or “HP West”) to be located in Avondale and serve students in grades 9 through 12. Highland Prep West will open in August 2022.
- The financing being considered for credit enhancement will 1) allow MHP to purchase and improve the HP West Campus, adding 550 new students; and 2) allow HP to expand its existing facility for an additional approximately 100 students.
- The HP School, the MHP School and the HP West School are collectively referred to herein as the “Schools.” The HP School and the HP West School are collectively referred to herein as the “Pledged Schools.” **The MHP School is not a Pledged School.** The HP Campus and the HP West Campus are collectively referred to herein as the “Campuses” or the “Facilities.” **The MHP Campus is not a part of the Series 2021 Facilities and will not be security for the Series 2021 Bonds.**



HIGHLAND PREP - SURPRISE:

- 100% 4-year College and University Acceptance
- 100% Graduation Rate
- Cognia International STEM Certification 36th high school in the world
- Recipient of Arizona Innovation Grant for Excellence in Hybrid Instruction 2021
- Sea Perch Robotics team earned 1st Place at the Si Se Puede Foundation Annual Sea Perch Underwater Competition 2019
- 2021 HP Senior accepted to the United States Naval Academy in Annapolis, and the U.S. Military Academy at Westpoint

MADISON HIGHLAND PREP:

- 100% 4-year College and University Acceptance
- 100% Graduation Rate
- Cognia International STEM Certification 31st high school in the world
- Recipient of Arizona Innovation Grant for Excellence in Hybrid Instruction 2021
- 4 MHP Class of 2021 Seniors will receive the Arizona Seal of Fine Arts
- 2020 Innovation Grant Awardee for Innovation in Education from A For Arizona
- MHP has 9 AP Scholars, 2 AP Scholars with Honors, and 2 AP Scholars with Distinction for 2020
- Niche's #2 Standout High School in Arizona
- Recognized by U.S. News & World Report as *One of America's Best Schools* – Nationally Ranked
- U.S. News & World Report #19 Top High Schools in Arizona





CHARTER CONTRACT & AUTHORIZER

- Highland Prep entered into its initial 15-year charter contract with the Arizona State Board for Charter Schools (ASBCS) for Highland Prep on December 14, 2016, authorizing the school to serve students in grades 9 through 12. Its sister school, Madison Highland Prep, entered into its initial 15-year charter contract with the ASBCS on February 19, 2015 authorizing Madison Highland Prep to serve students in grades 9 through 12.
- The ASBCS has approved a new, replication charter school contract for MHP (the “HP West Charter Contract”) that will permit MHP to open another charter school to be known as “Highland Prep West” to serve students in grades 9 through 12. The Borrower intends to open the HP West School commencing in August 2022.
- The ASBCS currently authorizes Highland Prep to educate 520 students at the Highland Prep Campus. The ASBCS currently authorizes Madison Highland Prep to educate 550 students at the Madison Highland Prep Campus. The ASBCS currently authorizes Highland Prep West to educate 550 students at the HP West campus.





CAMPUS LOCATIONS

HP Campus - The campus consists of 7.07 acres and contains a two-story facility that totals 35,244 square feet. The property includes other various site improvements including paved parking, playground, sport court, grass play areas and fencing. The facilities were completed in 2018. A 2019 appraisal valued the property at \$10,827,000. A portion of the Series 2021 Bond proceeds will be used to expand the educational space at Surprise Campus with additional classroom seats, increasing building capacity up to 100 students.

HP West Campus – The campus consists of 9.98 acres of land located at the southeast corner of West Van Buren Street and North Fairway Drive in Avondale, Maricopa County, Arizona. The HP West Campus facility will be constructed to accommodate approximately 550 students.



The MHP Campus is not a part of the Series 2021 Facilities and will not be security for the Series 2021 Bonds.



HIGHLAND PREP

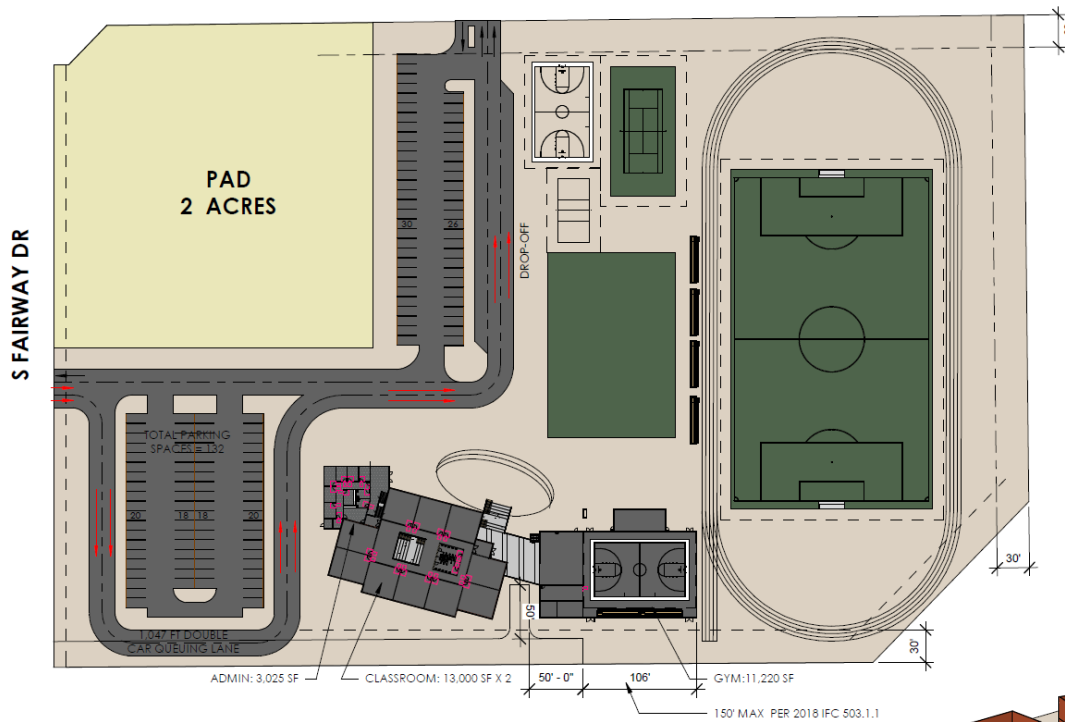
HIGHLAND PREP SURPRISE – EXISTING FACILITY



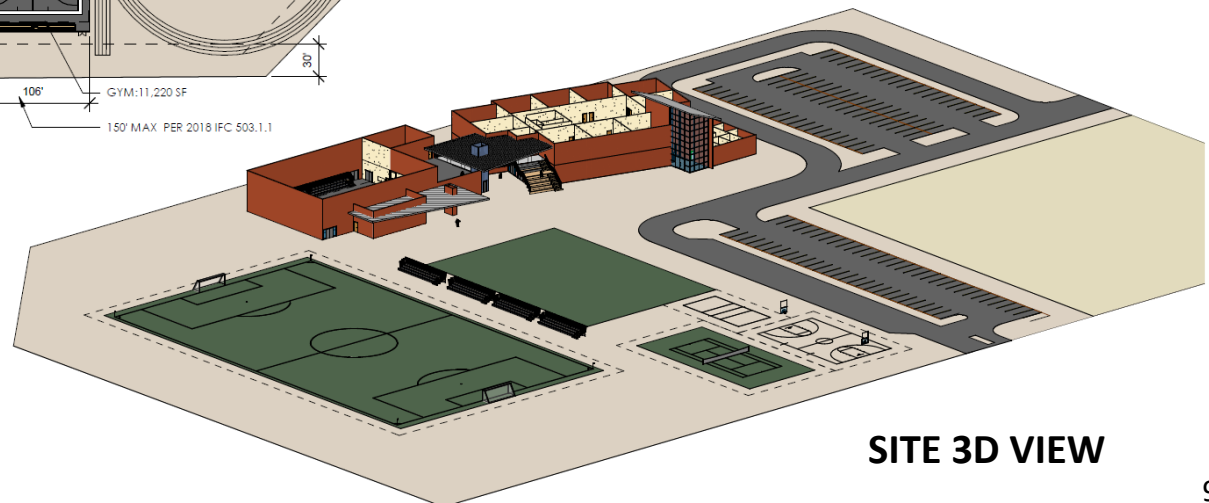


HIGHLAND PREP WEST – SITE PLANS

W VAN BUREN ST



SITE PLAN



SITE 3D VIEW

CURRICULUM

- Highland Prep is a STEM college-preparatory high school and features rigorous academic programs with an emphasis on 21st century preparation defined by critical thinking and inquiry learning.
- Highland Prep's curriculum program is dynamic, rigorous and relevant to students who are preparing to compete with students from around the world in a new and increasingly innovative global arena. Highland Prep strives to ensure that its curriculum and instruction is strategically designed so that each student receives individual attention to their personal goals with innovative pathways. Highland Prep believes that it is the education team's responsibility to prepare students to be creative, adaptive and innovative in their thinking.
- Highland Prep's curriculum program is based on Arizona's College and Career Ready Standards, as well as other rigorous state standards. Highland Prep strives to ensure that the standards are implemented with fidelity so that a consistent set of English Language Arts ("ELA") and Mathematics expectations are established that result in a high-quality preparation of all students for college and career.



Students from Highland Prep's Robotics Team take home a first place trophy at a recent competition. The team was ranked 21st in the nation in June 2019.



ACADEMIC PERFORMANCE & COMPETITION

- **Highland Prep earned and was issued a letter grade of “A” by the ADE for the 2017-2018 school year.** Subsequent to the issuance of the “A” letter grade, the ADE made a statewide policy decision that schools in their first year of operation would not be issued letter grades. Based upon this new policy, the ADE replaced the previously-issued letter grades for new schools with an indication that the school was a “New School” that was not eligible for a letter grade.
- **Madison Highland Prep has earned letter grades of “A” from the ADE for the last three consecutive years (2017-2019).** As noted throughout this presentation, Madison Highland Prep is an affiliate school with the same management team.
- The following table provides a summary of the six competitive schools that are closest to the Highland Prep campus and their respective AzMERIT results. Highland Prep will generally compete with schools in the Dysart Unified School District.

AzMERIT Results (2018-19 School Year)		
	ELA	Math
State of Arizona Average	42%	42%
Highland Prep (Surprise)	68%	74%
Paradise Honors	58%	56%
Imagine Prep Surprise	48%	36%
Shadow Ridge High School	45%	44%
Willow Canyon High School	39%	40%
Valley Vista High School	31%	30%
Dysart High School	33%	37%





ENROLLMENT DEMOGRAPHICS

The following tables reflect the 2020-2021 demographics of each of the HP School, along with demographics of the communities in which it is located, based upon student headcount (not ADM).

<u>Race</u>	<u>Highland Prep</u>	<u>City of Surprise</u>
White	49.06%	68.70%
American Indian	1.18%	0.30%
Hispanic	36.57%	19.60%
African American	7.55%	6.40%
Asian	4.72%	2.80%
Mixed/Other	0.92%	2.90%

The HP School participates in the federal Free and Reduced Lunch Program. The following shows the rates at which students are eligible for the program, as compared to the local public-school district.

<u>School</u>	<u>Percentage Eligible</u>	<u>Surrounding School District</u>	<u>Percentage Eligible</u>
HP School	42.45%	Dysart Unified School District	48.67%

LEADERSHIP & GOVERNANCE



HIGHLAND PREP



CORPORATE GOVERNANCE

- Highland Prep and Madison Highland Prep are governed by a corporate board that is responsible for managing corporate affairs, compliance with State corporate laws, appointing members of the Governing Boards and oversight of the Governing Boards.
- Highland Prep and Madison Highland Prep are each governed by a separate Governing Board which is responsible for school operations, development and approval of School budgets, review and approve curriculum, compliance with the State's charter-school laws, compliance with federal, State and local rules, regulations and statutes relating to health, safety and civil rights, compliance with financial and electronic-data submission requirements, compliance with charter-contract requirements and policy decisions within the meaning of the Arizona Revised Statutes.

HP BOARD OF DIRECTORS

Name	Board Position	Current or Past Employment
Dr. Kerry Clark	President	Executive Director of the Borrower
Dr. Don Enz	Member	Retired Educator
Scott Kies	Member	Principal of Aspire Business Consultants
Annie Gilbert	Member	Business Manager for Ball Charter Schools
Bill Bressler	Member	Educational Consultant for Waltz Construction



HIGHLAND PREP KEY LEADERSHIP & STAFF

- Highland Prep employs 20 full-time instructional faculty, as well as five full-time-equivalent administrative/support positions, including a Principal, a Director of Curriculum and an Academic Coach.
- HP West will employ 20 full-time instructional faculty, as well as five full-time-equivalent administrative/support positions, including a Principal, a Director of Curriculum, an Academic Coach, an Office Manager and a Registrar.

HP KEY LEADERSHIP

Name	Title	Post Secondary Degrees	Years in Education
Dr. Kerry Clark	Executive Director	B.A. - Political Science M. Ed. - Curriculum & Instruction Ed. D - Educational Leadership	24 Years
Jack Bagley	Principal	B.S. - Marketing & Business M. Ed. - Educational Leadership	21 Years
Steven Mack	Director of Curriculum	B.A. - Political Science M.A. - Political Science	17 Years
Reshma Watson	Academic Coach	B.A. - History M.A. - History M. Ed. - Education Curriculum	14 Years

OVERVIEW OF FINANCING



HIGHLAND PREP



PRELIMINARY SOURCES AND USES OF FUNDS

>> Bond proceeds will be used to:

- 1) Purchase & Construct the HP West Campus
- 2) Expand the HP Surprise Campus
- 3) Fund a debt service reserve fund in the amount of one year's debt service
- 4) Pay the cost of issuing the bonds

Sources

Proposed Bonds	\$ 16,975,000
Bond Premium	1,671,456
Total Sources	\$ 18,646,456

Uses

HP West - Property Purchase	\$ 3,915,500
HP West - Construction	8,084,500
HP West - Architectural Fees	485,000
HP West - Permits, Contingencies, etc.	290,595
HP Surprise - Construction	2,500,000
HP Surprise - Architectural Fees	150,000
HP Surprise - Permits, Contingencies, etc.	100,500
Capitalized Interest	1,404,063
Debt Service Reserve Fund	957,800
Cost of Issuance (Estimated)	758,498
Total Uses	\$ 18,646,456

Highland Prep is requesting, on a not to exceed basis, approval for \$17.5 million of guaranteed financing. This amount is higher than described on this slide, to account for contingency, bond-premiums and bond market pricing variances.

Current bond market structures envision the purchasers to pay a large premium for the bonds, thus reducing the principal guarantee required. However, these market conditions may or may not be present at the actual time of bond sale.



SAVINGS BENEFITS OF CREDIT ENHANCEMENT

>> Annual Savings

By obtaining a substantially lower cost capital via the Arizona Public School Credit Enhancement Program (the “Enhancement Program”) HP West will be able to purchase and construct the new campus and HP Surprise will be able to increase capacity and expand its programs at the Surprise Campus.

The Credit Enhancement is projected to save Highland Prep approximately \$282,000 per year in debt service for a total savings of \$9,894,072 versus unenhanced bonds. The net present value of the total savings is \$6,004,062.

The 2019 credit enhancement savings was used for increased teacher salaries, supplies, technology and hired a curriculum coach, STEM coach and facilities manager.

FINANCIAL HISTORY & PROJECTIONS



HIGHLAND PREP



STATEMENT OF ACTIVITIES (2018 – 2027)

HIGHLAND PREP - SURPRISE & WEST										
Fiscal Years Ended June 30:	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	(Audited)	(Audited)	(Audited)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Enrollment	81	218	344	428	450	625	800	925	1,000	1,000
State Equalization Program	\$ 696,022	\$ 1,785,158	\$ 3,020,603	\$ 3,754,813	\$ 4,019,519	\$ 5,677,952	\$ 7,071,175	\$ 8,195,072	\$ 8,911,625	\$ 9,045,299
Other State Revenue	50,512	140,251	302,267	280,000	284,200	363,463	442,790	497,182	526,640	534,539
Local Revenue	39,158	48,637	101,705	102,722	103,749	154,787	155,835	157,393	158,496	160,874
Federal Revenue	208,665	302,320	225,889	175,000	175,000	475,000	500,000	525,000	652,625	662,414
Total Revenue	\$ 994,357	\$ 2,276,366	\$ 3,650,464	\$ 4,312,535	\$ 4,582,469	\$ 6,671,202	\$ 8,169,800	\$ 9,374,647	\$ 10,249,386	\$ 10,403,127
Academic Programs	777,778	-	-	-	-	-	-	-	-	-
General and Administrative	133,641	-	-	-	-	-	-	-	-	-
Salaries and Wages	-	699,094	1,321,929	-	-	-	-	-	-	-
Payroll Taxes and Employee Benefits	-	68,932	164,341	-	-	-	-	-	-	-
Rent Expense	-	451,289	180,435	-	-	-	-	-	-	-
Other Occupancy Costs	-	159,534	184,530	-	-	-	-	-	-	-
Supplies	-	432,394	619,780	-	-	-	-	-	-	-
Purchased Services	-	175,747	195,774	-	-	-	-	-	-	-
Employee Costs	-	-	-	1,646,978	1,696,387	2,543,757	3,038,585	3,406,515	3,967,023	4,026,024
Academic Supplies	-	-	-	145,059	147,235	174,443	201,685	228,960	235,019	238,545
Administrative Supplies	-	-	-	21,236	21,554	46,878	47,206	46,029	47,542	48,255
Marketing and Advertising	-	-	-	31,250	31,719	62,194	57,677	58,167	59,915	60,814
Accounting/Computer Maintenance/Legal/Audit	-	-	-	109,684	111,329	197,999	195,580	206,415	212,661	215,851
Special Education - Contract	-	-	-	82,529	83,767	110,023	136,298	162,593	167,657	170,172
Athletics/After School/Student Activities	-	-	-	45,756	46,443	92,139	81,589	99,178	102,437	103,973
Curriculum/Textbooks	-	-	-	136,296	138,341	190,416	243,032	269,660	278,080	282,251
Insurance	-	-	-	22,814	23,156	48,504	40,680	49,450	51,075	51,841
Utilities	-	-	-	91,137	92,504	168,891	170,300	197,541	204,033	207,093
Building and Grounds Maintenance	-	-	-	47,915	48,634	99,363	100,104	103,857	107,270	108,879
Furniture	-	-	-	137,135	139,192	206,280	293,399	297,243	307,011	311,616
AV / Computer Equipment	-	-	-	71,035	72,100	108,182	126,664	153,970	159,029	161,415
Equipment Rental	-	-	-	22,546	22,884	38,228	40,203	48,869	50,475	51,233
Professional Development/Training/Travel	-	-	-	6,472	6,569	21,667	11,540	14,027	14,488	14,706
Food Service	-	-	-	46,671	47,371	48,081	48,803	49,535	50,278	51,032
Dues and Fees	-	-	-	4,291	4,356	4,421	4,487	4,555	4,623	4,692
Miscellaneous	-	-	-	13,243	13,441	13,643	13,848	14,055	14,266	14,480
Bond Interest - 2019 Issuance	-	-	308,893	480,700	480,700	480,700	473,700	466,300	458,700	450,700
Bond Interest - 2021 Issuance	-	-	-	-	-	713,490	713,490	713,490	713,490	713,400
Bond Fees	-	-	-	30,000	30,000	47,900	63,900	63,663	65,000	65,000
Depreciation and Amortization	-	6,999	216,175	334,327	334,327	817,660	817,660	817,660	817,660	817,660
Contingency	-	-	-	40,000	40,000	80,000	80,000	80,000	80,000	80,000
Total Expense	\$ 911,419	\$ 1,993,989	\$ 3,191,857	\$ 3,567,073	\$ 3,632,008	\$ 6,314,860	\$ 7,000,428	\$ 7,551,733	\$ 8,167,732	\$ 8,249,631
Change in Net Assets	\$ 82,938	\$ 282,377	\$ 458,607	\$ 745,462	\$ 950,461	\$ 356,343	\$ 1,169,372	\$ 1,822,914	\$ 2,081,654	\$ 2,153,495
+ Depreciation	2,238	6,999	216,175	334,327	334,327	817,660	817,660	817,660	817,660	817,660
+ Interest	-	-	308,893	480,700	480,700	1,194,190	1,187,190	1,179,790	1,172,190	1,164,100
+ Rent Expense	47,900	451,289	180,435	-	-	-	-	-	-	-
Income Available for Debt Service	\$ 133,076	\$ 740,665	\$ 1,164,110	\$ 1,560,489	\$ 1,765,488	\$ 2,368,193	\$ 3,174,222	\$ 3,820,364	\$ 4,071,504	\$ 4,135,255
Rent Expense / Debt Service	47,900	451,289	540,727	506,426	636,364	725,145	1,398,945	1,398,476	1,639,564	1,635,170
Rent / Debt Service Coverage Ratio	2.78x	1.64x	2.15x	3.08x	2.77x	3.27x	2.27x	2.73x	2.48x	2.53x

QUESTIONS & FINAL COMMENTS



HIGHLAND PREP